



Ontario
Energy
Board | Commission
de l'énergie
de l'Ontario

BY EMAIL AND WEB POSTING

April 2, 2020

**To: All Rate-regulated Electricity Distributors
Independent Electricity System Operator
All Other Interested Parties**

**Re: Guidance to Electricity Distributors on the Regulated Price Plan Settlement
with Respect to the Emergency Order**

Background

On March 24, 2020, the Government issued an Emergency Order under the *Emergency Management and Civil Protection Act* fixing the electricity commodity price for Regulated Price Plan (RPP) customers on time-of-use (TOU) pricing at 10.1 ¢/kWh for each of the on-peak, mid-peak and off-peak hours of every day. The Emergency Order applies to electricity consumed starting at the beginning of the day on March 24, 2020. The Government has announced that it intends to keep the 10.1 ¢/kWh pricing in place until the end of the day on May 7, 2020.

On the same day as the issuance of the Emergency Order, the OEB issued a [letter](#) containing guidance for distributors and other regulated entities regarding implementation of the Emergency Order, including some limited initial guidance on RPP settlements.

Since the issuance of the March 24, 2020 letter, the OEB has become aware that some electricity distributors are unclear on certain aspects pertaining to the RPP settlements

for the period when the Emergency Order is in effect. The purpose of this letter is to provide further clarification and guidance relating to the impacts of the emergency TOU prices on RPP settlements to address distributors' inquiries. Specifically, this letter addresses:

1. How the financial impact of the emergency TOU price change is being covered
2. Applying the accounting guidance previously issued for commodity accounts to the March RPP settlement
3. Consumption data available from the Independent Electricity System Operator (IESO) in its capacity as the Smart Metering Entity (SME) for the March RPP settlement

1. How the Financial Impact of the Emergency TOU Price Change is Being Covered

As indicated in the March 24, 2020 letter, RPP settlement claims by electricity distributors for the period when the Emergency Order is in effect will continue in the normal manner. Distributors are to reflect the emergency TOU prices in RPP revenues for consumption effective March 24, 2020 when settling the difference between RPP revenues and the market cost of energy based on Hourly Ontario Energy Prices and the Global Adjustment. As a result, distributors will continue to settle the difference between the applicable calendar month RPP revenues and the market cost of energy.

The Emergency Order is expected to result in lower total RPP revenues collected by distributors from customers than would otherwise have been collected under the TOU prices set by the OEB on November 1, 2019. As also indicated in the OEB's March 24, 2020 letter, the OEB understands that the Government intends for the financial impact of the price change to be covered by provincial revenues. This recovery from the Government is expected to be facilitated through the IESO's RPP Variance Account and will therefore have no impact on distributors' commodity accounts. It follows that distributors will not hold any variance associated with the Emergency Order in Account 1588 – RSVA Power or Account 1589 – RSVA Global Adjustment. The balance in Account 1588 – RSVA Power is expected to continue to reflect mainly unaccounted for energy (i.e. the difference between actual system losses and the Total Loss Factor billed).

2. Applying the Accounting Guidance Previously Issued for Commodity Accounts in the March RPP Settlement

a) RPP Settlement Calculation

The OEB issued its *Accounting Guidance Related to Commodity Pass-Through Accounts 1588 & 1589* and related Illustrative Model on February 21, 2019 ([Accounting Guidance](#)). The Accounting Guidance includes guidance on how RPP settlements are calculated. It contemplates only one set of TOU prices applicable for an entire calendar month for RPP settlements. In light of the Emergency Order, distributors will need to adapt their RPP settlement processes to calculate two separate RPP settlements for the month of March – one reflecting the prices in effect from March 1, 2020 to March 23, 2020 and the second reflecting the prices in effect from March 24, 2020 to March 31, 2020. Similarly, distributors will need to calculate two separate RPP settlements for any later month that has a change in TOU prices during the month, which may be the case when the Emergency Order ceases to have effect.

For each of the two RPP settlements calculated for March, distributors are expected to use the associated consumption data and relevant proportions of consumption that reflect the particular period. The two RPP settlements should then be summed together and submitted to the IESO on April 6, 2020. True-ups to actual consumption volumes are expected to be performed in the normal course in accordance with the Accounting Guidance. A similar exercise may be required when distributors perform the RPP settlement with the IESO for the month in which the Emergency Order ceases to have effect.

b) Source of Data Used for RPP Settlement Calculation

Distributors are expected to use the same sources of data (for example, consumption for two-tier non-TOU RPP data, and non-RPP data) in calculating RPP settlements as previously established. However, the OEB understands that not all distributors have the data for March 2020 for the periods before and after the TOU price change readily available. This may also be true for the month in which the Emergency Order ceases to have effect. An option that the OEB understands is now available for distributors is to use the aggregate distributor specific TOU consumption data provided by the SME, as discussed in the next section below. Distributors who are able to derive the consumption data for the periods before and after the TOU price change may do so using their own established RPP settlement and accounting processes if they wish.

The Accounting Guidance requires retail consumption to determine the RPP and non-RPP proportions for the purpose of the RPP settlement calculation and related

accounting entries. It also requires the proportions for each of the three TOU periods and each of the two tiers for non-TOU RPP customers, based on retail consumption to be applied to wholesale consumption volumes in the RPP settlement calculation. Therefore, in cases where the SME data is used, distributors would need to adjust the consumption volumes by the distributor specific Total Loss Factor to determine the appropriate retail consumption volumes. Note that the distributor would still need to be able to determine the two tier proportions for initial settlement with non-TOU RPP customers and subsequent true-up to actual in accordance with the Accounting Guidance.

3. Consumption Data from the Smart Metering Entity

Recognizing that not all distributors may have the data for March 2020 for the periods before and after the TOU price change readily available, the OEB understands that the IESO, in its capacity as the SME, will provide data to all distributors to assist them with the March RPP settlement with the IESO. The SME will provide each distributor with its aggregate consumption data for each of the three TOU pricing periods for each of the following periods:

- i) March 1, 2020 to March 23, 2020
- ii) March 24, 2020 to March 31, 2020

The SME will provide initial data to all distributors by the end of day on April 3, 2020. The SME will provide updated data to account for any data missing in the initial data set on April 16, 2020. The SME will email the data to the listed regulatory contact at each distributor.

The SME will provide the same data for the month in which the Emergency Order ceases to have effect.

As noted above, distributors may choose to use the data provided by the SME for RPP settlement purposes or they may use their own data if they are able to derive consumption data for the periods before and after the TOU price change. Distributors may also use the SME data for validation and analysis purposes.

For distributors using the data provided by the SME, the initial March RPP settlement claim filed on April 6, 2020 will be calculated based on the April 3, 2020 data received from the SME. Distributors are expected to true up the March RPP settlement based on the updated April 16, 2020 data as part of the April RPP settlement claim to be filed on

May 6, 2020. A similar exercise will be expected for the RPP settlement with the IESO in the month in which the Emergency Order ceases to have effect, if the SME data is used for that month.

Any questions relating to the availability and use of data that can be provided by the SME should be directed to James Murphy, Sr. Project & Portfolio Manager, Smart Metering, at James.Murphy@ieso.ca or at 416-452-6087.

OEB Webinar

The OEB is holding a webinar regarding the guidance contained in this letter and other OEB communications relating to COVID-19 on April 8, 2020. Further details will be provided shortly.

As noted above, any questions relating to the availability and use of SME data should be directed to the SME. Any questions relating to any other element of this letter should be directed to the OEB's Industry Relations Enquiry e-mail at IndustryRelations@oeb.ca. Please include "TOU Emergency Order" in the subject line.

Yours truly,

Original Signed By,

Theodore Antonopoulos
Vice President
Applications Division